WORKFORCE HOUSING STATE LEGISLATION

Workforce Housing Study
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OVERVIEW

- Growing shortage of affordable housing for moderate income households and located near employment

  - *How much housing is produced?*
  - *Where is it produced?*
  - *How to produce where it is needed?*

DEFINITIONS

- "Workforce Housing," Housing for households making between 60 and 120 percent of AMI
- "AMI," Area Median Income
- Alternative Measure: Anyone working full-time making at least minimum wage
  - *SD 2017: $17,992*

**Source: Urban Land Institute Land Use Policy Forum Report, Workforce Housing: Barriers, Solutions, and Model Programs, 2002.*

TRENDS

- Household growth can be expected to be reasonably robust between 2010 and 2020 as the millennials form households. Will taper off between 2020 and 2030.
- Between 2010 and 2030 household growth will be overwhelmingly nonwhite.
- The number of senior households will expand dramatically.

**Source: Goodman, Laurie, Rolf Pendall, and Jun Zhu. 2015. "Headship and Homeownership: What does the Future Hold?" Urban Institute*

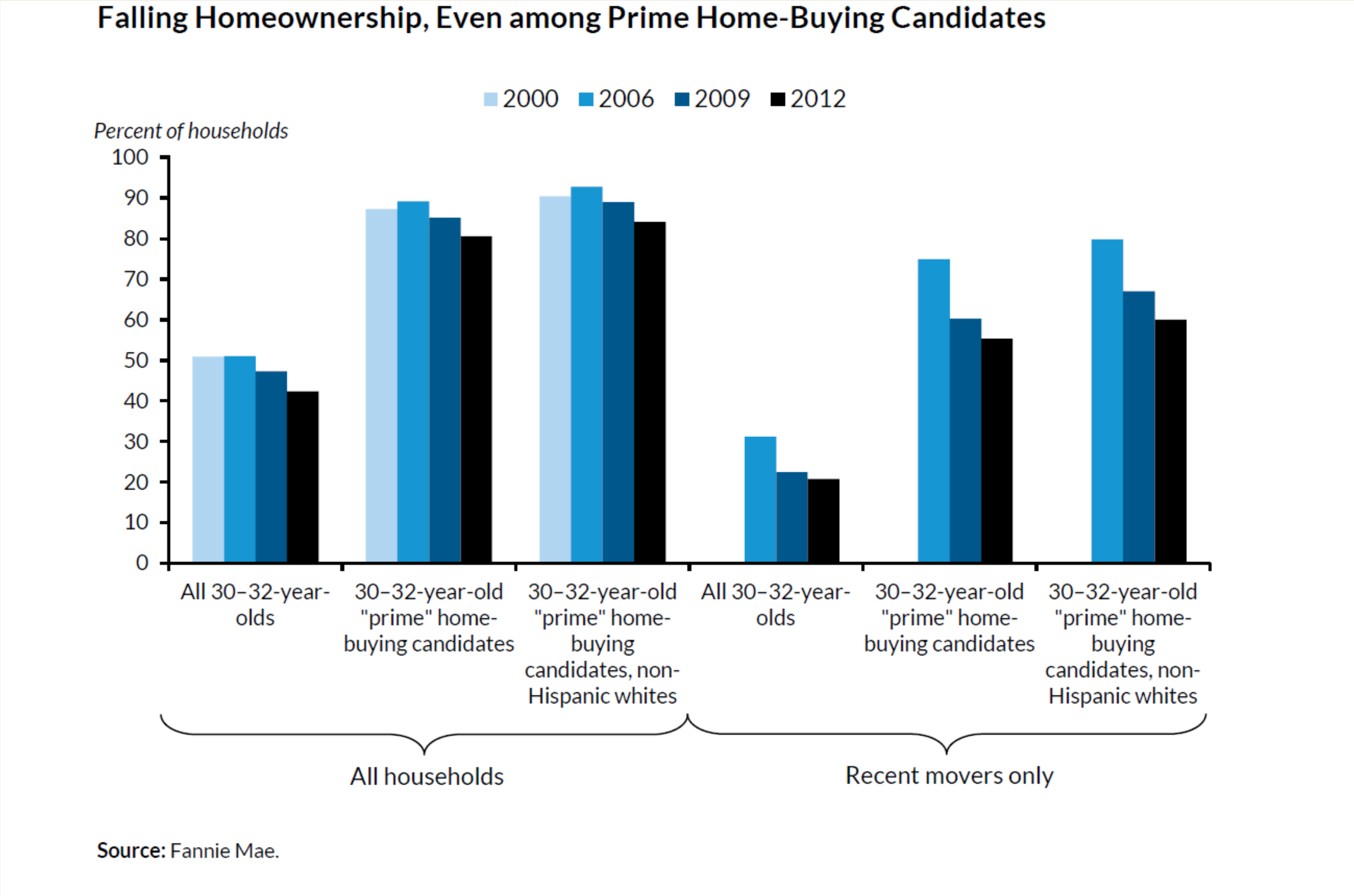
TRENDS

- The homeownership rate will continue to decline.

- The absolute number of homeowners will grow because of net new household formation, but the absolute number of renters will grow much faster.

- The new homeowners will be disproportionately minority, especially Hispanic. The homeownership gap between blacks and Hispanics is likely to grow.

**Source: Goodman, Laurie, Rolf Pendall, and Jun Zhu. 2015. "Headship and Homeownership: What does the Future Hold?" Urban Institute*

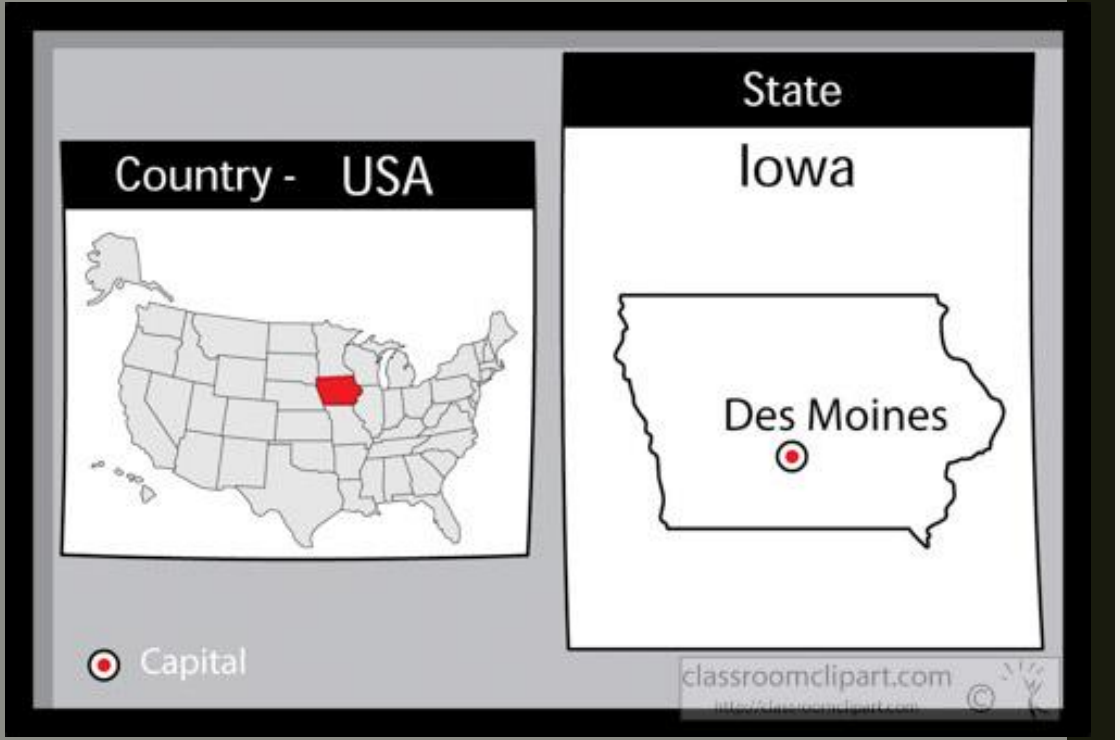


**Source: Goodman, Laurie, Rolf Pendall, and Jun Zhu. 2015. "Headship and Homeownership: What does the Future Hold?" Urban Institute*

BARRIERS

- Lack of Profit Incentive
  - *Versus higher end single family homes*
- Huge Demand
  - *Rise in renters*
  - *Rising costs to build, rent/mortgage rates, little income growth*
- Lack of Funding
- Zoning Hurdles
  - *Rising home prices in labor market in high demand areas*

IOWA: 2015 Workforce Housing Tax Incentives Program



- Assisting construction or rehabilitation of housing in communities with workforce housing needs
- Provides tax benefits to developers to provide housing in Iowa communities, focusing especially on those projects using abandoned, empty or dilapidated properties.
- Total program benefits limited to $1 million per project
- Tax incentives include a refund of sales, service or use taxes paid during construction

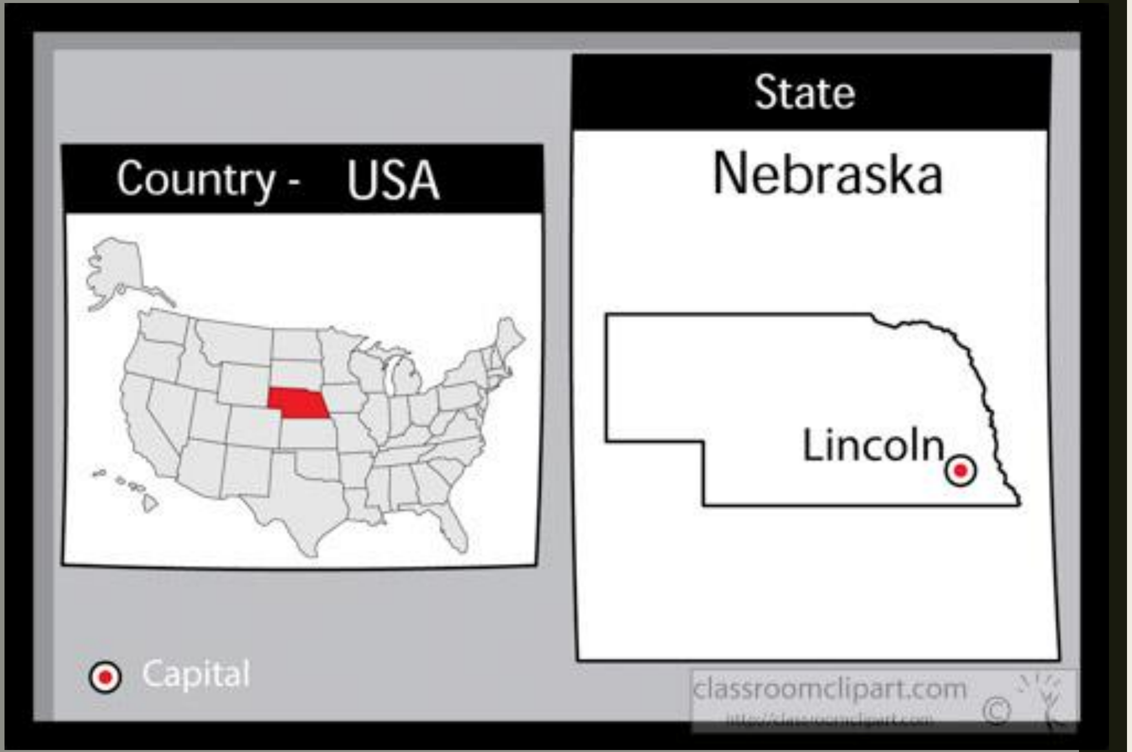
IOWA Tax Incentives Program

- Developers may receive a state investment tax credit of up to 10% of the investment directly related to the construction or rehabilitation of the housing. The state investment tax credit is fully transferable.
  - If the project has any funding from tax credits, grants or forgivable loans, these funds cannot be included for purposes of calculating the investment tax credit
- The tax credit is based on the new investment used for the first $150,000 of value for each home or unit
- This tax credit is earned when the home or unit is certified for occupancy and can be carried forward for up to five additional years or until depleted, whichever occurs first

IOWA Tax Incentives Program

- Awarded $20 Million in Workforce Housing Tax Credits in FY15, reaching cap
  - *37 projects around the state*
  - *Awarded on first-come, first-served basis*
- Eligibility Criteria:
  - *Housing development located on a grayfield or brownfield site*
  - *Repair or rehabilitation of dilapidated housing stock*
  - *Upper story housing development*
  - *New construction in a greenfield (community with demonstrated workforce housing needs)*

NEBRASKA:
2017 Rural Workforce Housing Investment Act

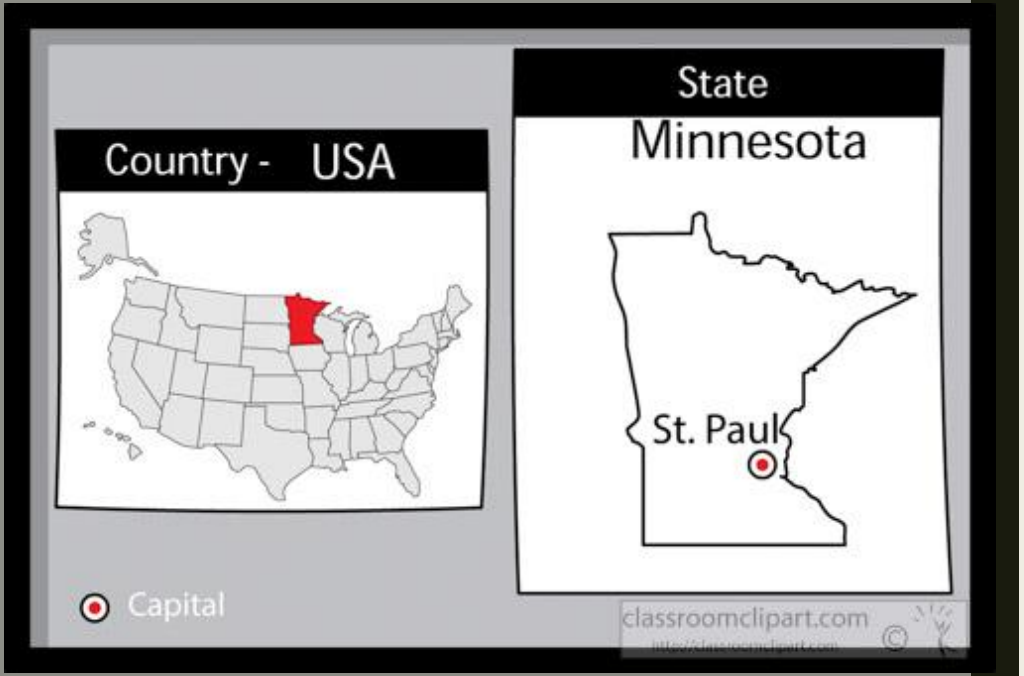


- Signed into law on April 27, 2017
- Many jobs in rural Nebraska go unfilled due to lack of housing.
- Nebraska Investment Finance Authority (NIFA) report showed the cost of new construction for single family homes was highest in the Panhandle region of the state. The report also shows that the cost of new construction homes in that area averaged $248,000 compared to $198,000 in the metro areas such as Lincoln and Omaha.
- Expand the availability of housing options by creating a grant program to stimulate housing development in rural areas of the state

NEBRASKA

- A nonprofit development organization would apply to the Department of Economic Development for funds to develop workforce housing through new construction, rehabbing existing homes, or building rental units.
- A one-to-one match with local funds is required to ensure communities are behind such housing and that it is needed.
- Transfers $7 million in unallocated funds from the Affordable Housing Trust Fund. Established in 1996 in response to concerns about the effect of poor quality housing on the economic development of the state, the fund has supported 524 grants totaling more than $120 million for low-income housing.
- Subsidizes the construction of homes and rental units in rural Nebraska and would also help assist rural Nebraskans with mortgage and rental payments.
- Approx. $7 million in unused funds sitting in the Affordable Housing Trust Fund would be transferred to create a new fund aimed directly at the rural areas of the state.

MINNESOTA: 2017 Introduced Bills



- Workforce Housing TIF
- Workforce Housing Grant Programs
- Workforce Housing investor tax credits

MINNESOTA Workforce Housing TIF Bills

- Language from HF 1178 is included in the House omnibus tax bill passed off the House floor on March 30. On the Senate side, workforce housing TIF language was not included in the Senate omnibus tax bill. SF 1168 was heard by the Senate Taxes Committee on March 22.

- Language from the original bill would allow cities to use TIF for market-rate rental housing. The bill aims to provide cities some assistance in the appraisal gap that is often experienced when a developer of market-rate housing in Greater Minnesota is considering building apartments.

- Cities eligible for the proposed workforce housing TIF authority must:
  - *Be outside of the seven-county metropolitan area.*
  - *Have an average vacancy rate for rental housing within the city or any city within 15 miles or less of 3 percent or less for the past two years.*
  - *Have at least one business located within 15 miles that has 20 or more full-time employees stating in writing that the lack of housing has impeded their ability to hire workers*
  - *Workforce housing TIF would be an additional authorized use under the current economic development TIF authority, with the duration being eight years after the district is certified.*

MINNESOTA Workforce Housing Grant Program Bills

- The House version of the omnibus jobs and energy affordability bill (HF 2209) moves the Workforce Housing Grant Program from the Department of Employment and Economic Development (DEED) to MHFA and provides one-time funding of $4 million for FY 2018. The bill awaits action in the House Ways and Means Committee before going to the full House for a vote on the floor.
  - *The Legislature originally funded the statewide DEED workforce housing grant program in 2015. The program is currently funded at $2 million each year in ongoing funding and has been successful in providing assistance to cities in the past two years. The Senate omnibus jobs bill (SF 1937) includes an additional $1 million in funding to the DEED grant program for FY 2018-2019. That bill was passed off the Senate floor on March 29.*
- On a related note, article 2, section 2, subdivision 2 of the Senate agriculture and housing omnibus bill (SF 780) includes an additional $600,000 each year in FY 2018 and 2019 for workforce housing in Greater Minnesota. Eligible communities must have: low housing vacancy rates; cooperatively developed a plan that identifies current and future housing needs; evidence of anticipated job expansion; are located outside the metropolitan area; and have a significant portion of area employees who commute more than 30 miles between their residence and their employment.

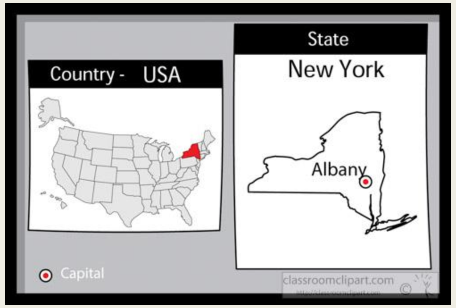
MINNESOTA Workforce Housing Investor Tax Credits Bill

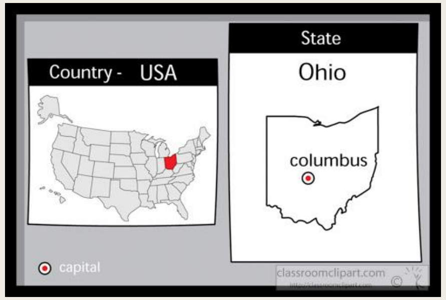
- HF 1020 and SF 785 would give investors of workforce housing a 40 percent state tax credit (up to $1 million) for contributions toward eligible rental workforce housing. A project must also have at least 50 percent non-state matching funds to be eligible.
- The tax credit language is included in the Senate taxes omnibus bill. It was heard by the Senate Taxes Committee on March 22. The tax credit language was not included in the omnibus House tax bill.

**Source: League of Minnesota Cities*

ZOMBIE PROPERTY LAWS

- Foreclosure Reform
  - *Speed up and modernize foreclosure process*
  - *Define zombie properties*
  - *Preserve and strengthen homeowner occupant rights*
  - *Utilize tax deed sales*
- New York
- Ohio





PROBLEM SOLVING APPROACHES

- Housing Studies
- Grants
- Tax Incentives
- Foreclosure Reform
- Utilize Tax Deed Sales

CONCLUSION